ACTION WHA-00

RELEASED IN FULL

INFO	LOG-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00	DODE-00
	ITCE-00	DOTE-00	PDI-00	EB-00	EXME-00	E-00	FAAE-00
	UTED-00	VCI-00	FRB-00	TEDE-00	INR-00	LAB-01	VCIE-00
	NSAE-00	ISN-00	NSCE-00	OMB-00	NIMA-00	EPAU-00	ISNE-00
	SP-00	SSO-00	SS-00	STR-00	NCTC-00	FMP-00	BBG-00
	EPAE-00	IIP-00	DRL-00	G-00	NFAT-00	SAS-00	/002W

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC PRIORITY 2473
INFO ALL US CONSULATES IN MEXICO COLLECTIVE
DEPT OF COMMERCE WASHDC
DEPT OF TREASURY WASHDC

UNCLAS MEXICO 004266

SENSITIVE

SIPDIS

FOR WHA/MEX AND EB/IFD/OMA
USDOC FOR 4320/ITA/MAC/WH/ONAFTA/ARUDMAN
TREASURY FOR IA - DAVID BECKWORTH

E.O. 12958: N/A
TAGS: ECON, EFIN, MX
SUBJECT: MEXICAN MARKETS DIP ON CIVIL DISOBEDIENCE

Sensitive but unclassified, entire text

1. (SBU) Summary: On Sunday July 30, 2006 Andres Manuel Lopez Obrador (AMLO) again summoned thousands of followers in a "peaceful meeting" in the Zocalo to demand that the electoral tribunal recounts ballots. As part of the protest, AMLO's supporters camped along Paseo de la Reforma, the avenue that serves the Mexican stock exchange, the U.S. Embassy, financial groups, and the city's primary hotel district. AMLO said camps will remain until the electoral tribunal reaches a decision in the case. Reacting to the political uncertainty -- and a number of domestic and international factors -- Mexico's financial markets were volatile on July 31 and August 1. The IPC, the stock market's main indicator, fell 1.4% to 19,973.20 and the peso depreciated 1.5% to 11.02 pesos to the dollar from July 28. End Summary.

VOLATILITY IN FINANCIAL MARKETS

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J OLSON
DATE/CASE ID: 17 FEB 2009 200704261

2.(SBU) Mexico's stock market and peso fell on July 31 and August 1 in part because of the political uncertainty generated by the protests by AMLO supporters. The IPC has fallen 1.4% or 279.13 points to 19,973.20 and the peso depreciated 1.5% to 11.02 pesos to the dollar since July 28. On August 1, the yield on the bond due in December 2015 rose 7 basis points to 8.52%. The price, which moves inversely to the yield, fell 0.44 peso cents to 96.64 pesos, the biggest decline since July 17. Analysts expect caution from local investors during the coming days. A low demand is expected for August 1 CETES and the 20-year bond auctions. The recent volatility is also the result of high oil prices, uncertainty regarding U.S. monetary policy, and a possible economic slowdown in the U.S., which would reduce demand for Mexican exports.

PROTESTS CAUSE ECONOMIC LOSSES TO BUSINESSES

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3. (SBU) The business sector calculates losses of USD 39.8 million during the first two days of protests in Mexico City which saw 16 camps installed on Mexico City's main avenue. Mexico City Trade Chamber (Canaco), the National Tourist Chamber (CNET), and the Mexican Employers Confederation (Coparmex) warned the authorities that the protests could cause the closure of 45,000 businesses and the loss of 2 million jobs. Hotel businessmen, led by Gordon Viberg, chairman of CNET, are considering filing injunctions against local authorities to demand payment for damages. On August 2, the private sector will announce the legal measures it will adopt to offset the situation and urge local authorities to respect the law. Lorenzo Ysasi, chairman of the Mexico City Trade Chamber said that protesters' camps are damaging 33,000 local businesses, 7,000 tourist businesses, and 4,500 services providers. Canaco calculates that daily losses total USD 13.7 million.

SOUND ECONOMY

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4. (SBU) In spite of electoral noise in Mexico, economic activity has been strong this year, and consumer products in general have benefited as a result. The Bank of Mexico (BOM) reiterated in its quarterly inflation report that consumer prices this year will increase between 3% and 3.5%, within its target range of 2% to 4%. In a separate statement, the

BOM raised its forecast for real GDP to a range of 4% to 4.5% from a 3.5% to 4% in April. This is the second increase in the bank's economic growth estimate this year. Alejandro Werner, the Finance Secretariat's chief economist, told the press that the Mexican economy will likely grow around 4% in 2006. For Manuel Ramos Francia, BOM's chief economist, "the growth is balanced between industry and services, which is a good base for growth in a horizon that includes 2007." For some analysts, the peso is set to appreciate to 10.60 pesos to the dollar if Felipe Calderon is confirmed as president by the electoral tribunal.

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GARZA

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